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FISCAL IMPACT STATEMENT

LS 7552

BILL NUMBER: HB 1721

NOTE PREPARED: Feb 18, 2003

BILL AMENDED:

SUBJECT: Multijurisdictional Enterprise Zones.

FIRST AUTHOR: Rep. Klinker

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill allows the Enterprise Zone Board to designate contiguous property in two municipalities as an Enterprise Zone. The bill also establishes criteria for designation as a multijurisdictional Enterprise Zone and prescribes the membership of an Urban Enterprise Association for a multijurisdictional Enterprise Zone.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The Indiana Department of Commerce (IDOC) currently provides administrative support to the Enterprise Zone (EZ) Board. As a result, the IDOC could incur some additional administrative expenses relating to the changes proposed in this bill. These expenses presumably could be absorbed given the IDOC's existing budget and resources. The December 7, 2002, state staffing table indicates that the IDOC has 52 vacant full-time positions, including regional office positions.

Explanation of State Revenues: The bill allows the Enterprise Zone (EZ) Board to designate a new EZ or modify an existing EZ such that the EZ contains a contiguous area located in two municipalities. The bill also limits to 29 the total number of municipal EZs that the EZ Board may designate. There are currently 24 municipal EZs. Thus, the bill could potentially lead to the establishment of at least five new multijurisdictional EZs and the modification of existing single jurisdiction EZs into multijurisdictional EZs. This could potentially lead to new EZs in municipalities that individually are unable to meet the threshold criteria for an EZ. Also, this could potentially lead to an increase in the territory of existing EZs. Both of these outcomes could increase the total EZ incentives provided in the state. However, the fiscal impact of these potential changes is indeterminable.

Background: The bill requires that the executives of both municipalities must submit a joint application for designation or modification of an EZ as a multijurisdictional EZ. Under the bill, a multijurisdictional EZ generally must meet the same threshold criteria that a single jurisdiction EZ must meet. As with a single jurisdiction EZ, a multijurisdictional EZ must contain property that is suitable for development of a mix of commercial, industrial, and residential activities. However, for a multijurisdictional EZ, this property must be in both municipalities. In addition, two other threshold criteria are altered for purposes of a multijurisdictional EZ.

(1) A multijurisdictional EZ must have a population of more than 4,000 but less than 21,000 (current law requires a population of 2,000 to 10,500 for single jurisdiction Ezs).

(2) A multijurisdictional EZ is limited in size to eight square miles (current law limits a single jurisdiction EZ to four square miles).

The Urban Enterprise Association (UEA) for a multijurisdictional EZ consists of 22 members instead of 12 members as required for a single jurisdiction EZ. Under current law, a UEA consists of two members appointed by the Governor and 10 members appointed by the municipal executive. Under the bill, each municipal executive appoints 10 members to the UEA. Current law does not provide for UEA members to be paid a salary per diem or reimbursed for incurred expenses. The incentives available in EZs are: (1) the employer income tax credit for wages paid to resident employees; (2) the employee income tax deduction for employees who live and work in the EZ; (3) the investment income tax credit for investors in start-up or expanding EZ businesses; and (4) the loan interest credit for interest earned by lenders on loans to EZ businesses or for real property improvements in the EZ. The personal property tax credit for inventory in an EZ will no longer be an incentive once the 100% inventory deduction under P.L. 192-2002ss takes effect with 2007 assessments. This could occur sooner if counties containing EZs opt to provide the inventory deduction beginning with 2003 assessments. In addition, the gross income tax exemption for EZ businesses has been eliminated due to the repeal of that tax under P.L. 192-2002ss.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Department of Commerce; Enterprise Zone Board.

Local Agencies Affected:

Information Sources: Indiana Department of Commerce.

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